Statement of

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House Committee on the Judiciary
Subcommittee on Courts, the Internet and Intellectual Property

Hearing on
***Holmes Group*, the Federal Circuit, and the State of Patent Appeals**

March 17, 2005

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Mr. Chairman, Ranking Member Berman, and Members of the Subcommittee:

Thank you for the opportunity to express my views today at the hearing on "*Holmes Group*, the Federal Circuit, and the State of Patent Appeals." I will focus my testimony on the Federal Circuit and patent appeals from the perspective of a practitioner and former law clerk at the Federal Circuit.

I. BACKGROUND

The U.S. Court of Appeals for the Federal Circuit was formed in 1982 to promote uniformity and stability in the interpretation of patent law, to resolve the problems produced by the differing views of the regional circuit courts on the value of patents, and eliminate the resultant forum shopping.[1] The creation of the Federal Circuit "made one immediate improvement: It stopped the appellate forum shopping that had occurred when patent appeals were heard by each of the regional circuits."[2] Today, twenty-three years later, the Federal Circuit has generally succeeded in its mandate to promote

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[1] *See* H.R. REP. No. 97-312 (1981). *See, e.g., Chemical Eng'g Corp. v. Marlo, Inc.*, 754 F.2d 331, 332 (Fed. Cir. 1984).

[2] Richard H. Seamon, *The Provenance of the Federal Courts Improvement Act of 1982*, 71 GEO. WASH. L. REV. 543, 587 (2003), (citing Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001) (discussing forum shopping among district courts in patent cases)).

uniformity;[3] however, some argue, not without a few bumps in the road.[4] Those bumps have not been so high or so unexpected, and the Federal Circuit has done, and is doing, a reasonable job of overcoming them. Bear in mind that the Federal Circuit did not start with a clean slate for precedent. The Court is required to follow the precedent of its predecessor courts, on patents that is the U.S. Court of Customs and Patent Appeals ("CCPA").[5] Prior to 1982, the CCPA heard appeals from the U.S. Patent and Trademark Office ("PTO") when the PTO denied issuance of a patent. To overrule a prior CCPA decision, the Federal Circuit has to sit *en banc*.[6] Many early Federal Circuit decisions wrestled with this requirement, and it took years for the Federal Circuit to change CCPA precedent on some major doctrines.[7] In addition, while bound by CCPA precedent for existing issues, the Federal Circuit was in uncharted territory for issues that were not within the jurisdiction of the

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[3] *See, e.g.*, Wagner and Petherbridge, IS THE FEDERAL CIRCUIT SUCCEEDING? AN EMPIRICAL ASSESSMENT OF JUDICIAL PERFORMANCE, 152 U. Pa. L. Rev. 1105, 1112 (2004); *see also* Seamon at 588, 594 n.329 ("Many commentators have praised the court for bringing clarity and predictability to significant areas of patent law." (citations omitted)).

[4] *See, e.g.*, Seamon at 588-89 ns.299, 300 (citations omitted).

[5] *South Corp. v. United States*, 690 F.2d 1368, 1370 (Fed. Cir. 1982).

[6] *Id.* at 1370.

[7] *See, e.g., In re Donaldson*, 16 F.3d 1189, 1194 (Fed. Cir. 1994) (*en banc*) (overturning CCPA precedent that permitted the PTO to apply a different standard than the courts when analyzing claims drafted pursuant to 35 U.S.C. § 112, ¶ 6).

CCPA, such as most patent litigation issues, *e.g.*, infringement, willful infringement, inequitable conduct before the PTO. For these issues, the Federal Circuit had to analyze the myriad of regional circuit law and determine the best course to take. Because of the divergence in regional circuit law on patent doctrines, for the first several years of the Federal Circuit's existence, it made broad-brush corrections to the law.[8] Most commentators will not deny that, while sweeping in nature, these seminal cases made patent jurisprudence more consistent and predictable.[9]

Today, after clearing away the cobwebs of prior jurisprudence and broadly establishing important patent doctrines, the Federal Circuit is poised to better accomplish its mandate by focusing on important details of patent jurisprudence. For example, we know that claim construction is a matter of law for the courts.[10] So, rather than focus on whether elements of claim construction should go to the jury, as many regional circuits believed,[11] the

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[8] *See, e.g., Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (*en banc*) (inequitable conduct); *In re Dillon*, 919 F.2d 688 (Fed. Cir. 1990) (*en banc*) (obviousness); *Refac Intern., Ltd. v. Hitachi, Ltd.*, 921 F.2d 1247 (Fed. Cir. 1990) (frivolous appeal).

[9] *See, e.g.*, Robert L. Harmon, *Preface to First Edition,* PATENTS AND THE FEDERAL CIRCUIT, at ix (6th ed. 2003) (hereinafter, "Harmon").

[10] *See Markman v. Westview, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996).

[11] *See, e.g., Control Components, Inc. v. Valtek, Inc.*, 609 F.2d 763, 770 (5th Cir. 1980) (the meaning of a term in dispute is a factual issue to be determined by the jury); *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324, 1338-39 (7th Cir. 1984)

Court can focus on the appropriate rubric for determining the proper claim construction.[12] As the issue today is whether the jurisdiction of the Federal Circuit should be broadened to include all patent appeals, I will address some of the recent criticism of the Court in the context of whether the Court continues to accomplish its mandate to unify patent law.

II. DO CRITICISMS OF THE FEDERAL CIRCUIT JUSTIFY LEAVING THE *HOLMES* DECISION IN PLACE?

As the Federal Circuit has matured, it appears to have found more critics. However, for every complaint that the Federal Circuit is too pro-patentee, you will find one that asserts that burdens now being placed on the patentee are too harsh.[13] Constructive criticism as a whole benefits the Court, and it reflects the important role of the Federal Circuit.[14]

(stating "[o]nly a factual dispute as to the meaning of a term of art used in the patent claim, the resolution of which required resort to expert testimony, properly would have been submitted to the jury.").

[12] *Phillips v. AWH Corp.*, 376 F.3d 1382 (Fed. Cir. 2004) (*en banc* order).

[13] *See, e.g.*, Patricia A. Martrone, *Supreme Court Limits Federal Circuit Jurisdiction over Patent Appeals*, available at http://www.ropesgray.com/newspubs/pubs.aspx?type=news&NewsID=115311605&SectionID=7 (last visited Mar. 16, 2005) ("The Federal Circuit has met a barrage of criticism in recent years, including claims that it is pro-patent, anti-patent and prone to inconsistent results depending upon the panel of judges who hear the case.").

[14] *See* Seamon at 590-91.

A. The Federal Circuit's Effect on the Quality of Patents

Most commentary reflects a belief that the Federal Circuit is pro-patent.[15] Commentators have stated that the Federal Circuit's pro-patent stance hurts the quality of patents. In particular, one commentator has stated that the Federal Circuit's high affirmance rate on the validity of patents may hamper or decrease patent quality.[16] This concern is a red herring. Realistic attempts to increase patent quality should lie in the very first instance with the PTO.

Consider how few issued patents ever are litigated, much less make it through trial and appeal. For example, 2894 patent litigations were filed in 2003,[17] and that year 187,017 patents issued from the PTO.[18] Hence, the number of patent litigations filed compared to the number of patents issued

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[15] *See, e.g.*, Seamon at 589 (citing Robert L. Harmon, PATENTS AND THE FEDERAL CIRCUIT, 1136 (5th ed. 2001); *see also*, Harmon at 1254 ("At the present time, I feel comfortable in concluding that the patent enforcement pendulum is swinging toward a more neutral position, where it really ought to be.").

[16] *See* A. Jaffe and J. Lerner, INNOVATION AND ITS DISCONTENT: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS AND WHAT TO DO ABOUT IT, Princeton University Press, at 126 (2004). ("[T]he interaction between the stronger protection and a poorer patent office has had a profound effect.").

[17] LexisNexis® CourtLink®, Nature of Suit Strategic Profile, Property Rights – Patent (830), Exhibit A.

[18] U.S. Patent Statistics, Calendar Years 1963-2003, available at http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

in 2003 is about 1.5%.[19] About the same ratio holds for 2002.[20] Because most patent lawsuits settle long before trial, only a very small percentage ever reach trial. An even smaller number make it to the appellate level. Therefore, the criticism that the Federal Circuit harms the quality of patents through a pro-patent stance ignores the vast majority of patents that are never reviewed by a court. If questionable patents exist, a more appropriate venue to address quality is at the PTO itself, where any change should affect all the patents that subsequently issue.

Notwithstanding the criticism, in recent years, Federal Circuit precedent, in fact, has become less pro-patent. For example, recent Federal Circuit case law on prosecution history estoppel set rigid limits on a patentee's ability to prevail on infringement under the doctrine of equivalents. In *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki*, 234 F.3d 558 (Fed. Cir. 2000) (*en banc*), the Federal Circuit held that, when a claim limitation is amended during prosecution for a reason related to patentability, the patentee surrenders any equivalents for that limitation.[21] This "absolute bar" was a sharp departure from previous jurisprudence in which Federal

[19] This number does not account for multiple litigations in 2003 over the same patent. Taking multiple litigations on the same patent into consideration would further lower the percentage of litigated versus issued patents in 2003.

[20] There were 184,378 patents issued and 2675 patent litigations filed yielding the ratio of 1.45%.

[21] *Festo*, 234 F.3d at 566, *rev'd*, 535 U.S. 722 (2002).

Circuit precedent applied a flexible bar when considering what claims of equivalence were estopped by the prosecution history. The U.S. Supreme Court reversed the Federal Circuit's decision holding that, rather than an absolute bar, the "patentee should bear the burden of showing that the amendment does not surrender the particular equivalent in question."[22] Hence, the Supreme Court felt that the Federal Circuit's decision in *Festo* was unduly harsh on *the patentee*.

> In fact, commentators have noted this trend:
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> > fears that the court would develop tunnel vision and become unduly pro-patent have not materialized. While some judges on the court are viewed as more hospitable to patents than others, one need only look at the court's [doctrine of equivalents] decisions to conclude that the court is not pro-patent but is preoccupied with predictability and the notice function of patents. And the court has had nothing resembling tunnel vision.[23]

Research conducted by Professors John R. Allison and Mark A. Lemley supports this proposition: "the votes of Federal Circuit judges during this period defied easy description. Judges do not fit easily into 'pro-patent' or 'anti-patent' categories, or into 'affirmers' and 'reversers.' We think this is a good thing for the court system."[24]

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[22] *Festo*, 535 U.S. 722 (2002).

[23] Donald R. Dunner, Jefferson Medalist – 2004 Address (June 4, 2004), available at http://ipmall.info/hosted_resources/jefferson_medalists_2004_address.asp.

[24] John R. Allison & Mark A. Lemley, *How Federal Circuit Judges Vote in Patent Validity Cases*, 27 FLA. ST. L. REV. 745, 746 (2000).

1. The Standard for Analyzing Patent Validity

The Federal Trade Commission ("FTC") also has criticized the arguably pro-patent stance of the Federal Circuit.[25] In the second recommendation of its October 2003 Report entitled "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy," the FTC suggested legislation to "Specify That Challenges to the Validity of a Patent Are to be Determined Based on a 'Preponderance of the Evidence Standard,'" rather than the well established and higher "clear and convincing standard."[26]

The FTC bases its recommendation entirely on the presumed shortcomings of the United States Patent and Trademark Office ("PTO"), rather than on any fault of the Federal Circuit.[27] According to the FTC, the PTO: 1) favors issuing patents, 2) has insufficient resources, and 3) grants patents based on a "preponderance of the evidence" standard.[28] Based on its perception of PTO shortcomings, the FTC would lower the Federal Circuit's legal standard for assessing the validity of an issued patent.

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[25] FTC Report "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy," (2003) (Recommendations 2 and 3) (hereinafter, "FTC Report").

[26] *Id*. (Recommendation 2).

[27] *Id*.

[28] FTC Report at 8-11 (Executive Summary) (Recommendation 2).

Indeed, the FTC's analysis puts the proverbial "cart before the horse." If the problem lies with the PTO, then it should be fixed at the PTO rather than downstream at the Federal Circuit. If the problem affects 100% of the patents, then so should the solution. Remember, only a very small percentage of issued patents ever are litigated. Hence, changing the litigation standard for analyzing validity would affect those litigated patents. The vast majority of patents still would issue from a PTO that has the above-perceived shortcomings.

Additionally, lowering the Court's standard for assessing validity would inject further uncertainty into patent jurisprudence. A preponderance of the evidence standard, requiring a 50+% proof that a patent is not valid, provides less stability and certainty in patent law. Neither the patentee, nor the public would be able to rely on the grant of a patent as public notice of what it covered.

As explained in the American Intellectual Property Law Association's ("AIPLA") response to the FTC's analysis, "It appears that the FTC has misunderstood the scope and motive of the 'clear and convincing evidence standard.'"[29] According to the AIPLA, "this misunderstanding is fostered by

[29] AIPLA Response to the October 2003 Federal Trade Commission Report: "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy," at 6 (2004) (hereinafter, "AIPLA Response").

a lack of precision in many decisions."[30] Hence, any remedy to Federal Circuit precedent should be done through "clarifications by judicial interpretation, not legislation."[31]

For example, under current precedent, a patent may be held invalid if clear and convincing evidence shows that the invention would have been obvious to one skilled in the art at the time the invention was made. As obviousness is a question of law with underlying factual determinations, proper obviousness analysis requires:

> that it is the underlying *facts* that must be proven by clear and convincing evidence, i.e., what is the content of the prior art and the level of skill in the art. That does not apply, and should not apply to the *legal conclusion* of invalidity, e.g., obviousness. It is only those predicate facts, not their persuasive force, that must be clearly and convincingly established.
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> Clarification of those basic principles, and the correct ambit of the "clear and convincing evidence" standard should, we believe, be addressed by the courts, not Congress. When correctly applied as described above, the standard is appropriate and will not make patent challenges unduly difficult or unfairly tilt the playing field.[32]

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[30] *Id.*

[31] *Id.*

[32] *Id.* at 7 (emphasis in original).

Hence, consistent application by the Federal Circuit of the clear and convincing standard, only on the proof of facts, and not on their persuasive force, should address the FTC's concerns.[33]

2. The Test for Determining if a Patent is Obvious

As briefly stated above, a patent should not be issued, and if issued may be held invalid, if the "subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."[34] The nonobvious test asks "whether an invention is a big enough technical advance to merit the award of a patent."[35]

> Obviousness is a question of law and like all legal conclusions it is reached after answers to a series of potential fact questions have been found—and it is reached in the light of those answers. In the ordinary patent case, the trier of fact must answer the Graham inquiries relating to (1) the scope and content of the prior art, (2) the differences between the art and the claims at issue, (3) the level of ordinary skill in the art, and (4) whatever objective evidence may be present.[36]

The FTC criticizes the Federal Circuit on its application of the obviousness test because the subsidiary "'commercial success test' and 'the

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[33] *Id*. at 16.

[34] 35 U.S.C. § 103 (2005).

[35] Robert Patrick Merges, PATENT LAW AND POLICY: CASES AND MATERIALS, ch.1 at 479 (2d ed. 1997).

[36] Harmon at 155-56 (internal citations omitted).

suggestion test' – require more thoughtful application to weed out obvious patents."[37] The commercial success test is part of the fourth *Graham* inquiry, the objective evidence. Federal Circuit precedent requires: "that there is commercial success, and that the thing that is commercially successful is the invention disclosed and claimed in the patent." The "suggestion test" (also called "motivation to combine") is part of the second *Graham* factor, the differences between the prior art and the claims. Federal Circuit precedent requires that: "some objective teaching in the prior art or that knowledge generally available to one of ordinary skill in the art would lead the individual to combine the teachings of the prior art,"[38] and arrive at the claimed invention. [39]

a. Commercial Success

The FTC posits that the Federal Circuit places an undue reliance on the "commercial success test" of an invention and fails to appreciate that "factors other than the invention may have caused the success." The FTC also asserts that commercial success should be applied on a case-by-case

[37] FTC Report at 11. (Executive Summary)

[38] *In re Fine*, 837 F.2d 1071, 1074 (Fed. Cir. 1988).

[39] *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988).

basis and a higher burden should be placed on the patentee to show commercial success.[40]

The FTC's analysis is flawed in three respects. First, not every obviousness analysis involves a determination of commercial success. While commercial success must be considered *before* finding an invention obvious, if the defendant does not prove a *prima facie* case of obviousness, the court is not required to rule on the commercial success of an invention.[41]

Second, commercial success requires a showing of nexus between the claimed invention and the success.[42] However, a patentee does not have to prove that the commercial success of the patented invention is *not* due to factors other than the patented invention. A requirement to prove this negative would be unfairly burdensome and contrary to the ordinary rules of evidence.[43] Third, the Federal Circuit already analyzes commercial success on a case-by-case basis as set forth in *Demaco*.[44]

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[40] FTC Report at 11 (Recommendation 3) (Executive Summary).

[41] *See, e.g., Rockwell Int'l Corp. v. United States*, 147 F.3d 1358, 1366-67 (Fed. Cir. 1998); *Alza Corp. v. Mylan Labs.*, 391 F.3d 1365, 1373 n.9 (Fed. Cir. 2004).

[42] *See, e.g., Demaco*, 851 F.2d at 1392.

[43] *Id.*

[44] AIPLA Response at 20. *See also, Demaco*, 851 F.2d at 1392 (Patentee must demonstrate a "legally and factually sufficient connection between the proven success and the patented invention.").

b. The Suggestion Test – or Motivation to Combine

The "suggestion test" asks if the prior art would have suggested the claimed invention to one of ordinary skill in the art.[45] The FTC criticizes Federal Circuit precedent but comments that recent articulations of the suggestion test seem to signal greater appreciation of the requirement for "concrete suggestions" in the prior art to combine or modify references beyond those needed by a person with ordinary skill in the art.[46] The AIPLA notes that "[s]uggestion or motivation for combination or modification must be clearly present and based on concrete evidence in the prior art," as the Federal Circuit's articulation of the test consistently recognizes.[47] The AIPLA also notes that "[t]o the extent this may be a problem, it appears to be self-correcting through the traditional evolution of case law as applied in specific fact situations."[48]

B. The Federal Circuit's Alleged Expansion of the Scope of Patentable Subject Matter

Section 101 of the Patent Act states, "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or

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[45] *See Fine*, 837 F.2d at 1075.

[46] *See* FTC Report at 12 (citations omitted) (Executive Summary); AIPLA Response at 22.

[47] AIPLA Response at 22.

[48] *Id.*

any new and useful improvement thereof, may obtain a patent."[49] The U.S. Supreme Court has interpreted this statute broadly to hold that both man-made, living organisms and computer software constitute patentable subject matter pursuant to Section 101.[50] Patentable subject matter includes "anything under the sun made by man."[51] The FTC, however, takes issue with Federal Circuit precedent holding business methods and software patentable asserting that such patents may not be necessary to spur invention.[52] Yet, in the same paper, the "FTC notes that it has been particularly difficult to locate relevant prior art from the time before patents were allowed for business methods."[53] The existence of patented prior art supports the existence of these types of patents. The language of 35 U.S.C. § 101, the Supreme Court's decision in *Diamond v. Diehr*, and even the FTC's own recognition relating to published prior art all support the continued acceptance of business methods and software as patentable subject matter.

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[49] 35 U.S.C. § 101 (2005).

[50] *See* FTC Report at 14 (Recommendation 6) (Executive Summary). *See also Diamond v. Chakrabarty*, 477 U.S. 303 (1980); *Diamond v. Diehr*, 450 U.S. 175 (1981).

[51] *Diamond*, 450 U.S. at 182.

[52] *See* FTC Report at 14-15 (Recommendation 6) (Executive Summary).

[53] AIPLA Response at 29; *see also* FTC Report at 46 (Chapter 3, C. The Role of Competition in Spurring Software and Internet Innovation).

C. Economic Theory

The FTC complains that the "Federal Circuit . . . may also benefit from much greater consideration and incorporation of economic insights in their decisionmaking."[54] The FTC bases its criticism on its experience that "antitrust law develops largely through case law[, which] gives flexibility to incorporate the goals of patent law."[55] The AIPLA responds that antitrust relies heavily on "rules of reason," and *per se* rules generally are disfavored.[56] Patent law, on the other hand, largely is based on *per se* rules.[57]

> The criteria for utility, novelty, and disclosure are each *per se* standards and no factors are evaluated for their reasonableness. . . . [A]pplying a comparable level of flexibility in the patent context would simply introduce uncertainty and unpredictability into a system that is striving for greater certainty and predictability. . . . [I]njecting economic theory into the interpretation and application of clearly defined statutory criteria, will simply result in greater uncertainty.
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> AIPLA believes that Congress, not the PTO or the courts, is the proper authority to consider economic theory and competition policy-oriented principles [relating to patent law].[58]

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[54] FTC Report at 17 (Recommendation 10).

[55] FTC Report at 1 (Chapter 6, I, A, Antitrust Law and Policy can and Should Take Patent Into Account to Promote Consumer Welfare).

[56] FTC Report at 23; AIPLA Response at 40-41.

[57] AIPLA Response at 41.

[58] *Id.* at 41.

However, the Federal Circuit likely would benefit from digesting relevant economic theory, and litigants should bring such relevant economic theory to the attention of the Court.

D. Panel Dependencies and Supreme Court Review

Federal Circuit Judges, without exception, are highly interested in patent jurisprudence, whether or not they arrived on the bench from a patent background. For any particular case, they know the materials on appeal, are very well prepared for oral argument, and have an in-depth knowledge and respect for the precedent that they both create and apply. Federal Circuit judges recognize and respect their unique position as the sole arbiters of patent jurisprudence along with their other specialized jurisdictions. They recognize the need for uniform application of patent law and work hard towards that end. The Federal Circuit has in place several internal procedures to monitor each precedential decision before it issues to ensure that it is in line with *stare decisis*.[59]

As a result of the Federal Circuit's work, patent jurisprudence progresses at "light-speed" when compared to areas of law left to percolate through the regional circuits. In addition, because most patent appellate decisions are handed down by the Federal Circuit, court watchers are able to

[59] *See, e.g.*, U.S. Court of Appeals for the Federal Circuit Internal Operating Procedures, 2004 (hereinafter, "IOP").

detect "panel inconsistencies" quickly. These panel inconsistencies subject the Federal Circuit to considerable criticism.[60] However, the subjects upon which panel inconsistencies exist are relatively minor in comparison to the situation before creation of the Federal Circuit. In addition, contrary to most critics, "some would see disagreement among panels of the Federal Circuit as reflecting an internal 'percolation' of views that may be a good substitute for percolation among the circuits."[61]

The Federal Circuit is not unaware of these apparent panel inconsistencies, and the Judges' differing perspectives form the basis for lively debate on the Court through internal memoranda, additional opinions, and through oral argument. Many inconsistencies in decisions do result in *en banc* hearings and decisions by the Court.[62] But a split in authority on an issue cannot be resolved overnight. The Court uses precedent to: 1) find a suitable case that presents the issue appropriately, 2) successfully

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[60] *See Seamon* at 589 n.299 (citing Paul R. Michel, *The Court of Appeals for the Federal Circuit Must Evolve to Meet the Challenges Ahead*, 48 AM. U. L. REV. 1177, 1191 (1999); Paul R. Michel, *The Challenge Ahead: Increasing Predictability in Federal Circuit Jurisprudence for the New Century*, 43 AM U. L. REV. 1231, 1232-33 (1994)).

[61] *Seamon* at 589.

[62] *See, e.g., Markman*, 52 F.3d 967; *Hilton Davis Chem. Co. v. Jenkinson Co.*, 62 F.3d 1512 (Fed. Cir. 1995) (*en banc*), *rev'd*, 520 U.S. 17 (1997); *Festo*, 234 F.3d 558; *Festo Corp. v. Shoketsu Kimsoko Kogyo Kabushiki*, 344 F.3d 1359 (Fed. Cir. 2003) (*en banc*); *Johnson & Johnston Assocs., Inc. v. R.E. Servs. Co.*, 285 F.3d 1046 (Fed. Cir. 2002) (*en banc*); *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (*en banc*).

accomplish the internal procedure to elevate the case to *en banc* status,[63] 3) accept briefing from interested *amici*, 4) conduct oral argument, and 5) render an *en banc* decision. Recently, the Federal Circuit has increased the number of patent cases that it takes *en banc*.

One measure of the Court's success may be the extent "to which its decisions have been reviewed and reversed or vacated by the Supreme Court."[64] In 2003, the Federal Circuit had a *certiorari* "grant rate" of about 2.8% over the breadth of its jurisdiction.[65] This "grant rate" is well below the average for the same time period of 6 to 8%.[66] Also in 2003, the Supreme Court affirmed the Federal Circuit's decision in 12 of 42 cases in which an opinion was issued; yielding an affirmance rate of 28.6% that also appears to be better than average.[67] Of course, these statistics may also represent a Supreme Court that is relatively disinterested in patent jurisprudence, or the

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[63] A majority of participating, active judges must vote in favor of taking the case *en banc*. *See* IOP No. 14.

[64] *Seamon* at 592.

[65] *Id*.

[66] *See id.* at 592 n.327 (citing Robert L. Stern et al., *Supreme Court Practice* 59 (8th ed. 2002)).

[67] *See Seamon* at 593-94.

numbers may be low for the Federal Circuit because of the large number of criminal appeals from regional circuits.[68]

E. Providing Plenary Authority to the Federal Circuit to Hear All Patent Appeals

The Supreme Court's *Holmes* decision[69] changed the jurisdictional basis for pendant patent claims in non-patent cases by holding that Federal Circuit cannot assert jurisdiction over a case in which the complaint does not state a patent law claim, but patent claims are raised in a responsive pleading.[70] After *Holmes*, responsive patent pleadings do not, on their own, trigger Federal Circuit jurisdiction. Many commentators believed that this change would greatly affect the fabric of patent practice and that it would undermine Congressional intent to promote uniformity in the interpretation of patent law.[71] District courts might follow their regional circuit patent precedent, now at least twenty-three years old, rather than the Federal Circuit precedent, and state courts could now hear patent cases filed as

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[68] The Federal Circuit does not have jurisdiction over criminal cases.

[69] *Holmes Group v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002).

[70] *Id.*, 535 U.S. at 834 n.4.

[71] *See, e.g.,* STATUS REPORT ON DEVELOPMENTS RELATING TO THE JURISDICTION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, Holmes Group Task Force Intellectual Property Committee Section of Antitrust Law American Bar Association, at 13 n.56 (2004) (citations omitted) (hereinafter, "ABA Report").

counterclaims to non-patent suits, arguably for the first time.[72] This could lead to a lack of uniformity in patent law and return patent lawyers to the days prior to the Federal Circuit of rampant forum shopping.[73] While it appears that these strange occurrences are possible, in the three years since the *Holmes* decision, they have not been as frequent as many expected.[74] Nevertheless, a legislative solution, such as that proposed by the Federal Circuit Bar Association,[75] would remove the specter of non-Federal Circuit patent jurisprudence, diminish forum shopping, and simplify matters for litigants.

Critics, however, argue that expanding the Federal Circuit's jurisdiction to include all patent jurisdiction would improperly confer too much power on the Court. For example, granting such broad jurisdiction to the Federal Circuit allegedly will increase its already important role in patent-antitrust law. While some have said that antitrust jurisprudence is best left percolating through the regional circuits,[76] when it is interwoven

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[72] ABA Report at 8.

[73] *Id*. at 13.

[74] *See, e.g.,* ABA Report at 21-22; *c.f.*, UNANIMOUS REPORT OF THE AD HOC COMMITTEE TO STUDY *HOLMES GROUP, INC. V. VORNADO AIR CIRCULATION SYSTEMS, INC.*, 12 FED. CIR. B.J. 687, 715 (2004) (hereinafter, "FCBA Report");

[75] *See* FCBA Report at 719.

[76] *See* ABA Report at 78.

with patent law, to ensure uniformity and consistency, it should be decided by the Federal Circuit.[77] The FTC noted that the Federal Circuit was expected to have a role in fashioning antitrust law.[78] The antitrust-patent overlap is distinct from other areas of antitrust law, and a legislative amendment to ensure all patent claims go to the Federal Circuit would have little or no affect on these other types of antitrust law. When deciding antitrust claims not unique to patent law, the Federal Circuit already applies the appropriate regional circuit law.[79]

III. CONCLUSION

In the past twenty-three years, the Federal Circuit generally has met its mandate of providing more uniformity and stability to patent law than previously existed. While the first part of its existence has been spent stabilizing various doctrines, today, the Federal Circuit has begun to address sub-issues within larger doctrines. In addition, the Federal Circuit has developed a robust body of patent-antitrust law and stands in the best position to further address that precedent and confirm that it is applied uniformly. Hence, the Federal Circuit is prepared to accept this added

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[77] *See, e.g., Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068 n.5 (Fed. Cir. 1998) (*en banc* on choice of law).

[78] FTC Report, at 17 (Chapter 6).

[79] *See, e.g., Nobelpharma*, 141 F.3d at 1068.

jurisdiction provided by a legislative answer to *Holmes* and apply it pursuant to the appropriate precedential requirements.

EXHIBIT A

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Nature of Suit Strategic Profile

Property Rights - Patent (830)

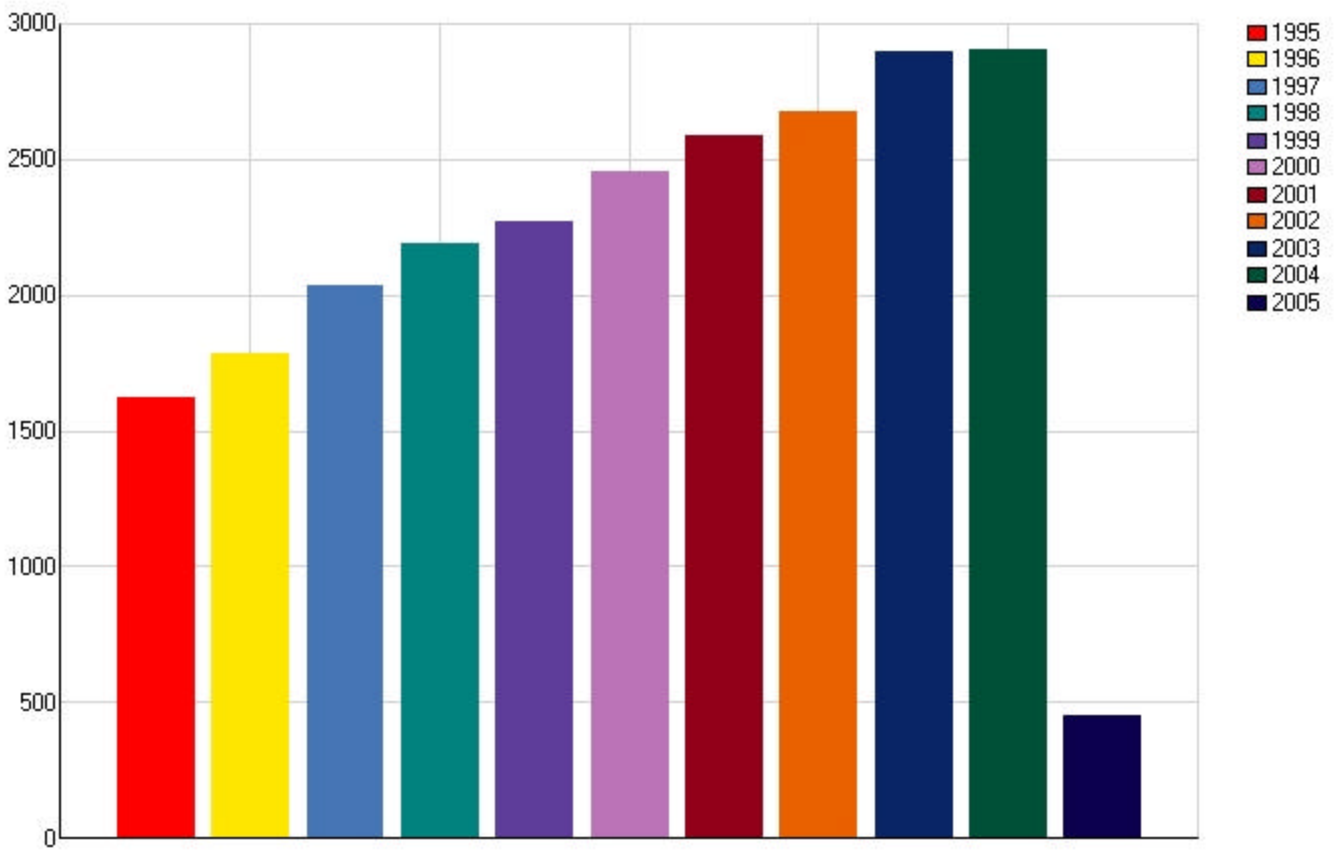
1/1/1995 - 3/14/2005

23849 Case(s)

All Courts

Total Cases Filed - Between **1/1/1995** and **3/14/2005**, **Property Rights - Patent (830)** cases were filed with the following distribution based on date filed. These cases are restricted to those filed in **All Courts**.

Period	Count	Percent
1995	1622	6.80%
1996	1783	7.48%
1997	2032	8.52%
1998	2188	9.17%
1999	2269	9.51%
2000	2451	10.28%
2001	2584	10.83%
2002	2675	11.22%
2003	2894	12.13%
2004	2900	12.16%
2005	451	1.89%



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March 25, 2005

Blaine Merritt, Esq.
Chief Counsel for the Subcommittee on
the Courts, the Internet and Intellectual Property
Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20515

Re: Correction to Written Statement of March 17, 2005
Hearing on *Holmes Group*, the Federal Circuit, and the State of Patent Appeals

Dear Mr. Merritt:

Please allow me to amend my written statement in the paragraph bridging pages 19-20, and starting with "One measure of the Court's success . . . ." I would like to replace that paragraph with the attached paragraph and accompanying footnotes.

This amendment does not change the percentages previously reported in that paragraph; rather, it modifies the date ranges for those percentages.

If you have any questions, please do not hesitate to contact me. Thank you again for the opportunity to speak at the Subcommittee hearing. I would be honored to be of service to the Subcommittee in the future.

Warmest regards,

Meredith Martin Addy

MMA/bn

cc: Edward R. Reines, Esq.
Arthur D. Hellman, Esq.
Sanjay Pradad, Esq.

Amended Statement of Meredith Martin Addy
Holmes Group, the Federal Circuit, and the State of Patent Appeals
March 25, 2005

Please replace the paragraph bridging pages 19-20 with the following paragraph:

One measure of the Court's success may be the extent "to which its decisions have been reviewed and reversed or vacated by the Supreme Court."[1] Since its inception through July 8, 2002, the Federal Circuit had a *certiorari* "grant rate" at the Supreme Court of about 2.8% over the breadth of its jurisdiction.[2] This "grant rate" is below the average for all courts from 1982 through 2000.[3] Also, since its inception through July 8, 2002, the Supreme Court has affirmed Federal Circuit decisions in 12 of 42 cases in which an opinion was issued; yielding an affirmance rate of 28.6% that also appears to be better than the average at the Supreme Court.[4] Of course, these statistics also may represent a Supreme Court that is relatively disinterested in patent jurisprudence, or the numbers may be low for the Federal Circuit because of the large number of criminal appeals from regional circuits and state courts.[5]

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[1] *Seamon* at 593 and n.325.

[2] *Id.*

[3] *See id.* at 593 n.327 (The author "base[s] the 7.2% [overall average grant rate at the Supreme Court] on Harvard Law Review statistics" from the 1982 Term through the 2000 Term. *See The Supreme Court, 2000 Term: The Statistics*, 115 HARV. L. REV. 546, tbl.II(B) (2001); *The Supreme Court in the Nineties: A Statistical Retrospective*, 114 HARV. L. REV. 402, tbl.I (2000); *The Supreme Court in the Eighties: A Statistical Retrospective*, 104 HARV. L. REV. 367, tbl.I (1990)).

[4] *See Seamon* at 593-94 and ns.296, 328 ("reporting a 21.3% [average] affirmance rate from the 1982 Term through the 2000 Term") (citing multiple Harvard Law Review articles).

[5] The Federal Circuit does not have jurisdiction over criminal cases.